

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF JACKSON)	
PURCHASE ELECTRIC COOPERATIVE)	
CORPORATION FOR PERMISSION TO)	
FLOW THROUGH A PORTION OF THE)	CASE NO. 97-224
GENERAL RATE DECREASE FILED BEFORE)	
THE KENTUCKY PUBLIC SERVICE)	
COMMISSION BY BIG RIVERS ELECTRIC)	
CORPORATION, CASE NO. 97-204)	

O R D E R

On July 11, 1997, Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase") applied for approval of rates which reflect proposed reductions in the rates of its wholesale supplier Big Rivers Electric Corporation ("Big Rivers"). Jackson Purchase requests that these rates be effective for service rendered on and after September 1, 1997. Since filing its application, Jackson Purchase has moved for leave to amend its application to include a rate schedule for large industrial users.

In Case No. 97-204,¹ Big Rivers has applied for, inter alia, Commission approval of interim and permanent rates for its distribution cooperatives. It has requested that its interim rates be effective for service rendered on and after September 1, 1997, and remain in place until the earlier of August 31, 1998 or the closing of its plan of reorganization. Finding that further proceedings were necessary to investigate their reasonableness, the Commission has suspended Big Rivers' proposed interim rates for one day and allowed

¹ Case No. 97-204, The Application of Big Rivers Electric Corporation, Louisville Gas and Electric Company, Western Kentucky Energy Corp., Western Kentucky Leasing Corp., and LG&E Station Two Inc. for Approval of Wholesale Rate Adjustment for Big Rivers Electric Corporation and For Approval of Transaction (filed June 30, 1997).

them to become effective, subject to change, for service rendered on and after September 2, 1997. The Commission has further found that Big Rivers' interim rates should remain in effect only until the issuance of a final order determining the reasonableness of the proposed permanent rates.

Based upon its review of Jackson Purchase's application and its actions in Case No. 97-204, the Commission finds that further proceedings are necessary to determine the reasonableness of Jackson Purchase's proposed rates and that such proceedings cannot be completed prior to September 1, 1997. The Commission further finds that Jackson Purchase customers should be allowed the benefits of the lower rates on an interim basis while the merits of the utility's application are considered. Accordingly, the Commission will suspend the interim rates for one day and allow them to become effective, subject to change, for service rendered on and after September 2, 1997.

Unlike other distribution cooperatives which purchase their electric power from Big Rivers, Jackson Purchase proposes rates which will permit it to retain a portion of the purchase power savings and thus increase its net earnings. Accordingly, the Commission finds that, since Jackson Purchase has yet to demonstrate that its retention of a portion of the purchase power savings is reasonable, any changes to the proposed rates which the Commission may ultimately order should be applied to all service rendered on and after September 2, 1997. Such action is necessary to protect Jackson Purchase's customers from excessive rates.

As the Commission has made any changes to Big Rivers' interim wholesale rates prospective only, the Commission recognizes that retroactive application of any change in Jackson Purchase's proposed rates may conceivably require Jackson Purchase to pass

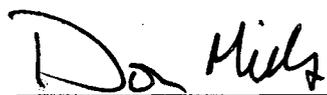
on to its customers an amount which exceeds its purchase power savings from the Big Rivers' interim rate reduction. The Commission therefore finds that the total level of any refund which Jackson Purchase may be ordered to implement should not exceed the level of the purchase power savings from the Big Rivers' interim rates which Jackson Purchase retains. If the Commission determines that changes to the proposed rates are required, it will then address the methodology for determining the level of any refund and its allocation to various customer classes.

IT IS THEREFORE ORDERED that:

1. Jackson Purchase is granted leave to amend its application to include a rate schedule for large industrial users.
2. Jackson Purchase's interim rates and tariffs bearing an issue date of June 30, 1997, as amended on August 29, 1997, are suspended for one day, to be effective, subject to change, with service rendered on and after September 2, 1997.
3. Within 20 days of the date of this Order, Jackson Purchase shall file its revised tariff sheets setting forth the interim rates and tariffs made effective herein with a notation at the bottom of each page reflecting the effective date and the statement, "Interim rates subject to change."
4. Jackson Purchase shall maintain its records in a manner as will enable it to determine any amounts to be refunded and to whom in the event a refund is ordered.

Done at Frankfort, Kentucky, this 29th day of August, 1997.

ATTEST:



Executive Director

PUBLIC SERVICE COMMISSION



For the Commission